

Final Quarter FY 2014 – Quarterly Report & Appendix 4C

Final Quarter Highlights

- **2nd Major Technology Development Plan Milestone Achieved**
- **16% Lab Efficiencies achieved NTU and 10.5% Industrial Glass Strip Cell Efficiencies Achieved at Queanbeyan**
- **Patent Application Filed for Advanced Inorganic Hole Transport Material**
- **Commencement of Discussions with Turkish Development Bank for Long-Term Pilot line Finance**
- **Australian Building Materials Company Collaboration Entering Advanced Technical Due Diligence**
- **Advanced Estimate for 2014 R&D Tax Rebate at approximately \$2.5 Million (due Sep 2014)**

New Developments

- **Dyesol reaches Agreement to Wholly Acquire the Dyesol-Timo JV**

Corporate and Operational Progress

The Australian Commonwealth Government's budget measures to eliminate relatively newly formed financial institutions such as ARENA and the Clean Energy Finance Corporation were disappointing, but wholly consistent with their climate change dogma. Of course, the news was no surprise and Dyesol, as an Australian renewable energy pioneer, has developed a self-reliance which makes it well protected from such outcomes. From a national interest perspective, what is so difficult to comprehend is that solar technology, in particular, is now reaching a mature stage of development. We strongly believe that vital government financial intervention could accelerate and transform technology promise into economic reality, producing profits and creating jobs. The advent of perovskite or solid-state DSC is truly transformational. The rest of the world is increasingly coming to the same conclusion.

Away from government, large industry is engaging more than ever with Dyesol. In the past 3 months we have conducted further detailed technical due diligence locally with an Australian building materials multinational. It is imperative to get the right technological and cultural fit for both parties. In this respect, we are concentrating on low-cost, high throughput processes for the possible manufacture of building products for Australian and export markets. We will report on developments as they come to hand.

There was considerable progress on the Turkish opportunity with Dyesol meeting with the head of business and investment at the Turkish Development Bank in Ankara. Turkey has a \$60 billion energy deficit and is committed to sponsoring new, renewable energy technologies compatible with its climate and economic growth. Dyesol will be delivering first equipment for a prototype facility into Turkey during the next quarter. We also spent time evaluating potential pilot line sites pending a successful outcome with the Turkish

government discussions. New build - industrial, commercial and residential - is very strong in Turkey, relative to U.K. and Europe.

During the quarter Dyesol increased its headcount in the U.K. in anticipation of commencing a number of projects at Manchester and Sheffield Universities as well as SPECIFIC. In relation to the latter, the Welsh Government is assisting in negotiating roles within the SPECIFIC consortium; however Dyesol has not let the delay impede its Technology Development Plan progress elsewhere. For example, Dyesol in conjunction with Bangor University is progressing well towards the objective of scaling up device development on metal substrates. This is encouraging, with further efficiencies gains likely. Generally, activity is quiet at this time of year in Europe and UK, with many senior managers on summer vacation.

Overnight, Dyesol reached agreement to acquire the 49.9% minority interest in Dyesol-Timo held by Neoarena (formerly Timo Technology). This will enable Dyesol to consolidate its position in Korea, retaining existing staff, with a view to engaging its considerable engineering expertise in prototype, demonstration and pilot line activities. The consideration for the transaction is a total of 500,000 Dyesol shares - 250,000 shares will be escrowed for 6 months and 250,000 for 12 months. The new corporate structure continues to provide ongoing access to Korean Government financial assistance programs.

Research and Development

Dyesol is the world leader in commercialisation of ssDSC. It was also the world leader in its precursor, liquid-based DSC. Dyesol understands durability and has taken cells to the extremities of endurance in demonstrating their ability to withstand heat and humidity. It has a sharper focus on industrial performance, durability and cost than any visible competitor. Think very hard about this proven history when considering the inflated claims of potential competitors. Most are baseless and have negligible scientific validation. It takes decades to acquire this know-how. Last year Dyesol published 5000 hours at 85 degrees Celsius for its liquid DSC technology. Next quarter it will take up the challenge of the first major durability claims for perovskite based cells. Moreover, we are always prepared to have our claims independently verified.

Development focus for the quarter has been on deposition techniques – tolerances and cheap industrial delivery. The milestone of 250 µm edge definition tolerance has been met and for many material layers considerably exceeded. In commercialisation terms, this means we have a clear pathway to coat large surfaces cheaply, uniformly and with precision for the ultimate manufacture of high active area ssDSC solar panels. Importantly, we have used and modified existing processes to accelerate our progress towards mass manufacture.

Also pleasing has been the success of our advanced findings for all our offshore R&D activity. Qualification is largely dependent on the unique nature of the activity and Dyesol is confident, based on already received advanced findings, that it will achieve an approximate 40% full recovery for its global R&D activity. Importantly, this includes EPFL based activity. This equates to an approximate \$2.5 million bonus for the year and in this regard we are indebted to the Federal Government for this long-standing assistance.

In a very exciting development, Dyesol can now confirm that it has filed a patent on inorganic hole transport materials. This is an alternative material to the more expensive industry standard of Spiro-MeOTAD produced by Merck which comes off patent in 2016, and which presents potential stability risks. Again, this is particularly exciting and consistent with our strategy of creating IP blocks.

In a last minute development, Dyesol has also just received confirmation of European Science Foundation funding for ssDSC-graphene cell development. These individual technical thrusts are part of a holistic advance to producing solar energy at prices at and below those provided by fossil fuel utilities.

Manufacturing Collaborations

Dyesol is currently evaluating the options of going it alone or MNC partnership. Partnership is only an option if the relationship has equality in terms of technical contribution, risk sharing and profit distribution. We remain to be convinced that existing building materials companies are capable of delivering such outcomes. Tasnee understands this and is committed to a standalone, autonomous pathway to commercialisation and profitability should we choose it. We continue to assess the long-term value of an involvement in SPECIFIC, but take encouragement from the assurances of the Welsh Government.

Financials

The net operating monthly cash burn rate (Sec 1.8) for the final quarter averaged \$841k reflecting a significant increase in R&D expenditure for the quarter. Total operating and investing net cash burn for the year to date was \$7.7m (Sec.1.14) including the receipt for the FY2013 R&D Tax Incentive rebate of \$2.8m.

Payments for acquisition of capital (fixed assets) items totalled \$350k for the quarter in line with the Company's Technology Development Plan budgets. A final share subscription payment of \$65k was made for the Printed Power Pte Ltd. investment (Sec 1.9b).

Cash balances at the end of the quarter totalled \$7.4m.

About DYESOL LIMITED

Dyesol is a renewable energy supplier and leader in Solid State Dye Solar Cell (ssDSC) technology – 3rd Generation photovoltaic technology that can be applied to glass, metal, polymers or cement. Dyesol manufactures and supplies high performance materials and is focussed on the successful commercialisation of ssDSC photovoltaics. It is a publicly listed company: Australian Securities Exchange ASX ([DYE](#)), German Open Market ([D5I](#)), and the USA's OTCQX market ([DYSOY](#)). Learn more at www.dyesol.com and subscribe to our mailing list in English and German.

About DYE SOLAR CELL TECHNOLOGY

Solid State Dye Solar Cell (ssDSC) technology is a photovoltaic technology based on applying low cost materials in a series of ultrathin layers encapsulated by protective sealants. Dyesol's technology has lower embodied energy in manufacture, produces stable electrical current, and has a strong competitive advantage in low light conditions relative to 1st and 2nd Generation PV technologies. This technology can be directly integrated into the building envelope to achieve highly competitive building integrated photovoltaics.

The key material layers include a hybrid organic-inorganic halide-based perovskite light absorber, a nano-porous metal oxide of titanium oxide, and an organic semiconductor. Light striking the absorber promotes an electron into the excited state, followed by a rapid electron transfer and collection by the titania layer. Meanwhile the remaining positive charge is transferred to the organic semiconductor, thereby generating an electrical current.

- Ends -

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Rule 4.7B

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Name of entity

DYESOL LIMITED

ABN

92 111 723 883

Quarter ended ("current quarter")

30 JUNE 2014

Consolidated statement of cash flows

Cash flows related to operating activities		Apr14 to Jun14 Quarter \$A'000	Year to date (12 months) \$A'000
1.1	Receipts from customers	199	707
1.2	Payments for		
	(a) staff costs	(1,287)	(4,656)
	(b) advertising and marketing	(86)	(288)
	(c) research & development	(436)	(2,626)
	(d) leased assets	(143)	(659)
	(e) other working capital	(819)	(2,544)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	22	113
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes received/(paid) (R&D Tax rebate)	-	2,841
1.7	Other (R&D grant)	26	26
	Net operating cash flows	(2,524)	(7,086)

		Apr14 to Jun14 Quarter \$A'000	Year to date (12 months) \$A'000
1.8	Net operating cash flows (carried forward)	(2,524)	(7,086)
Cash flows related to investing activities			
1.9	Payment for acquisition of:		
	(a) businesses (item 5)	-	-
	(b) equity investments (Printed Power Pte Ltd)	(65)	(130)
	(c) intellectual property	-	-
	(d) physical non-current assets	(350)	(377)
	(e) other non-current assets	-	-
1.10	Proceeds from disposal of:		
	(a) businesses (item 5)	-	-
	(b) equity investments	-	-
	(c) intellectual property	-	-
	(d) physical non-current assets	-	-
	(e) other non-current assets	-	-
1.11	Loans to other entities (Dyesol-Timo Co. Ltd)	(50)	(100)
1.12	Loans repaid by other entities	-	-
1.13	Other (payment for product development cost)	-	-
	Net investing cash flows	(465)	(607)
1.14	Total operating and investing cash flows	(2,989)	(7,693)
Cash flows related to financing activities			
1.15	Proceeds from issues of shares, options, etc (net)	-	10,000
1.16	Proceeds from sale of forfeited shares	-	-
1.17	Proceeds from borrowings	-	-
1.18	Repayment of borrowings	-	-
1.19	Dividends paid	-	-
1.20	Other (Treasury shares purchased)	-	(112)
	Net financing cash flows	-	9,888
	Net increase/ (decrease) in cash held	(2,989)	2,195
1.21	Cash at beginning of quarter/year to date	10,271	5,102
1.22	Exchange rate adjustments to item 1.21	97	82
1.23	Cash at end of quarter	7,379	7,379

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	211
1.25	Aggregate amount of loans to the parties included in item 1.11	-
1.26	Explanation necessary for an understanding of the transactions	
	<u>1.24</u> Directors and associates remuneration	211

Non-cash financing and investing activities

2.1	Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows
2.2	Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	NIL	NIL
3.2	Credit standby arrangements	NIL	NIL

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

		Current quarter \$A'000	Previous quarter \$A'000
4.1	Cash on hand and at bank	1,479	5,071
4.2	Deposits at call	5,900	5,200
4.3	Bank overdraft	-	-
4.4	Other (provide details)	-	-
Total: cash at end of quarter (item 1.23)		7,379	10,271

Acquisitions and disposals of business entities

		Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1	Name of entity		
5.2	Place of incorporation or registration		
5.3	Consideration for acquisition or disposal		
5.4	Total net assets		
5.5	Nature of business		

Compliance statement

- This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- This statement does give a true and fair view of the matters disclosed.

Sign here:



Date: 31 July 2014

Print name:

Richard Caldwell, *Executive Chairman*

Notes

- The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- The definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report except for any additional disclosure requirements requested by AASB 107 that are not already itemised in this report.
- Accounting Standards.** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.